Ontario Northland
TRANSPORTATION COMMISSION

Annual Report 1984

85-6003/

PROVINCE OF ONTARIO

Honourable David Peterson

Premier

Honourable Rene Fontaine, Minister

Northern Affairs and Mines

COVER THEME

The M.S. Chi-Cheemaun on Georgian Bay.

84th ANNUAL REPORT of the ONTARIO NORTHLAND TRANSPORTATION COMMISSION

for the year ending

December 31, 1984

ONTARIO

MINISTRY OF NORTHERN AFFAIRS AND MINES

The Honourable John Black Aird
O.C., Q.C., B.A., L.L.D.
Lieutenant-Governor of the Province of Ontario

MAY IT PLEASE YOUR HONOUR:
I beg leave to present the 84th annual report of the Ontario Northland Transportation Commission for the year ending December 31, 1984.

Respectfully submitted,

Rene Fontaine,
Minister.

July 3, 1985

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

Honourable Rene Fontaine,
Minister of Northern Affairs and Mines,
Parliament Buildings,
Toronto, Ontario.

Sir:
I beg to submit the Annual Report for the year 1984 of the Ontario Northland Transportation Commission, and I have the honour to be, Sir,

Yours faithfully,

J.W. Spooner,
Chairman.

June 28, 1985

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

J.W. Spooner, Chairman, Timmins

M.P. Boreham, Commissioner, Elliot Lake ... appointed August 1, 1984

P.A. Burns, Commissioner, Dryden

N.G. Fortin, Commissioner, North Bay

L.A. Foucault, Commissioner, Espanola ... resigned February 29, 1984

N.M. Karam, Commissioner, Cochrane

A.D. Mortson, Commissioner, Englehart

M.R. Wright, Commissioner, Sault Ste. Marie

PRINCIPAL OFFICERS

P.A. Dyment, General Manager

D.E. MacDougall, Assistant General Manager

K.J. Moorehead, Senior Operating Officer - Rail

K.J. Wallace, Senior Director, Passenger Services and Planning

REPORT OF THE GENERAL MANAGER

Mr. J.W. Spooner
Chairman

North Bay, Ontario
May 3, 1985

The following report of Ontario Northland Transportation Commission operations, year ending December 31, 1984 is respectfully submitted.

In 1984 revenues rose by 6.7% and expenses increased by only 5.5%. That assisted the net income to increase from $18,600,000 to $21,300,000. This enabled the Commission to provide a special payment of about $3,800,000 to the Pension Fund and further reduce unfunded liabilities. This had the effect of reducing the actual net income for the year to $17,400,000.

Proper regard for our human resources has been manifested with such events as retirement seminars, a 4% increase in two year old (or more) pensions, a successful management evaluation and more management training, increased stress on Safety and Health and a continuing commitment to the Employee Assistance Program. We also plan to continue efforts to prolong our improving safety record.

The Commission's determination to maintain and improve services throughout its operations can be observed in the $12,000,000.00 expenditure in 1984 on capital equipment. This included $2.9 million for locomotive and freight cars, $3.1 million on communications apparatus and $4.1 million on track facilities. The Province also contributed $8.2 million to acquire the first of two deHavilland "Dash-8" aircraft and related equipment. These expenditures, combined with normal maintenance will enable us to meet our communications responsibilities by road, rail, water, air and electronics. In addition, such ventures as the Polar Bear Express and the Hannah Bay Goose Camp while providing specialized services, also promote the unique characteristics of north-eastern Ontario. Even the seemingly negative reduction of Star trucking operations could be positive if its agreement with an international carrier works out as is hoped.

An elaboration of the 1984 activities and results is provided on the following pages.

Yours truly,

P.A. Dyment,
General Manager.

REVIEW OF OPERATIONS

RAIL SERVICES

Although the Ontario Northland Transportation Commission has expanded into several new fields of communication, the rail service remains, in the public eye, the nucleus of the corporation. In 1984 several related efforts were made to maintain and to improve this sector of our operations. These included specific projects stretching across the full extent of the railway.

- Our forces acquired and modified fifteen used bulkhead flat cars to accommodate the movement of pulpwood traffic from our line.
- North Bay Mechanical Department forces converted three retired passenger cars into two sleeping cars and a dining car for summer work gangs.
- One O.N. locomotive was rebuilt for yard service and two new 2000 horsepower locomotives were placed in service during the fall of the year.
- Mechanical Department forces fulfilled a contract to modify 54 tank car centre plates, rebuilt four GO Transit locomotives and rebuilt wheels for GO Transit, thereby earning $2.7 million during 1984.
- Line improvements included rock ballasting between Cochrane and Fraserdale with the application of 51,000 tons of crushed rock between Mileage 36 and Mileage 52, the replacement of 50,000 track ties, the laying of 7 miles of second hand rail and, most prominently, the replacement of 11.6 miles of main line rail with new continuous welded rail.
- Bridges received special attention in 1984. Three treated timber bridge decks were replaced, one bridge was repainted and major structural repairs were made to the Boston Creek bridge. In addition, an underpass in Rouyn was completed and plans were finalized to replace the Store Creek bridge at Moosonee in 1985.
- The Commission constructed a building to accommodate a new Motor Car repair shop in Kirkland Lake.

The efforts by the Transportation Department to increase the efficiency of train operations resulted in our handling more tonnage per train mile. Our credit position in car hire settlement improved dramatically due to our being able to supply a greater proportion of O.N. equipment to shippers.

TELECOMMUNICATIONS

Revenue in 1984 increased by eight percent, attributable to a moderate increase in the number of toll messages and the effect of rate increases introduced in late 1983. Revenue earned by the leased line services has levelled off, however, as was experienced in 1982 and 1983.

Digital technology has profoundly influenced the telephone industry. In particular, new switching systems have been

instrumental in cost reductions, improved performance and simplified interface with connecting companies. During 1984, digital carrier facilities between Hearst and Mattice were completed; and, the first phase of digital transmission facilities construction between Timmins and Smooth Rock Falls commenced. This will include the establishment of a fibre optics entrance cable at Timmins, a first for Ontario Northland.

Improved service has been realized with the completion of upgrading and replacement of microwave facilities between Fraserdale and Moosonee during 1984. An extension to the Moose Factory Dial Exchange and expansion of radio facilities at Winisk were completed in line with our responsibility to provide modern telecommunication services to these remote northern communities. Further south, customer dialing of operator-assisted calls was introduced to the Marten River area.

During the year, a work centre and material storage area was completed at New Liskeard, and a five-year provisioning program of fire detection and suppression equipment for buildings throughout the system was completed. The facility formerly used at Swastika was closed and moved to a new facility at Kirkland Lake.

As a result of the rapid technological changes occurring within the industry, our planning must remain flexible, and upgrading of our personnel and facilities is continuing.

FREIGHT SERVICES

Our line carried 5.3 million tons of carload freight in 1984, an increase of 11.0% over 1983 and thereby generated $47.4 million in revenues, an increase of 12.9%. More specifically it can be observed that shipments of sulphuric acid, zinc concentrates, zinc metal, newsprint, lumber and forest products increased over 1983 levels. Likewise, refined copper shipments were up substantially, although there was a reduction in inbound shipments of copper concentrates.

In large measure, therefore, it would appear that the increased revenues and tonnage can be attributed to improvements in the mining and forest products sectors of the economy, since these two combine to generate approximately 84% of our total shipments.

Express Services revenues in general increased by 5.4% over the previous year, and total shipments grew by 4%. The general structure of this service changed somewhat in 1984. Operations of the Noranda terminal ceased on September 30, when responsibility for traffic to that area was assigned to our New Liskeard terminal; and Star Transfer relinquished its authority to operate south of North Bay when it entered an interline agreement with a major international carrier. The latter arrangement is expected to reduce the high cost of pick-up and delivery in the Toronto area and concurrently to provide a broader base of customers in Southern Ontario, other provinces and the United States.

PASSENGER SERVICES - RAIL

On the overnight train between northern points and Toronto and on the regular train between Cochrane and Moosonee, the nature and structure of Ontario Northland passenger travel remained virtually unchanged in 1984. Nonetheless, the Northlander ridership increased by nearly 3% to a total of almost 57,000 passengers in the course of the year. Some of this increase resulted from the promotion in southern Ontario and in the United States of Northlander package tours, which included rides on the perennially popular Polar Bear Express run between Cochrane and Moosonee.

Perhaps the most exciting developments in our rail passenger service in 1984 took the form of official announcements which will affect our service in coming years. Early in the year, the Province announced that it was seriously considering the development and purchase of two train sets of bi-level passenger rail equipment for use in regular overnight service between Toronto and Kapuskasing and replace the present conventional "Northland" night train service. Equally exciting was the Commission's announcement that it acquired twenty single level commuter coaches from GO Transit. These will be modified into intercity coaches which will, over the next five years, be phased into the Polar Bear Express operation, the regular Moosonee train service and to supplement the "Northland". The concurrent announcement that this renovation work will be done completely within O.N.T.C. shops indicates the versatility of our enterprises. With these equipment improvements the passenger rail services of Ontario Northland will be vastly improved and modernized and able to meet the needs of the travelling public.

PASSENGER SERVICES - BUS

Tour ridership in 1984 increased by 27% making tours once again the best growth area in this division. New tours included such destinations as Cape Cod, Montreal, Quebec City and New York City. Bus parcel express revenue, despite increasing pressures from other sources, increased by 7% over 1983 due in part to a 5% tariff increase.

The Commission tendered the service between Elk Lake and New Liskeard to a private contractor and several scheduled weekend services were cancelled in 1984. The latter now operate only as required. These reductions, though regrettable, were considered necessary because of a 2.5% decline in the number of passengers carried in 1984 and because of the resulting need to reduce operating costs. Nonetheless, the O.N.T.C. will continue to provide long haul and interline passenger service as well as extensive local service in many isolated areas, the latter being considered a particularly important service for Northern Ontario. In line with our regular vehicle replacement policy, two new buses were ordered for delivery in January of 1985.

NORONTAIR

For norOntair the highlight of the year came in December with the introduction to our service of the first of two deHavilland of Canada DHC-8 aircraft. The 36-seat "Dash-8" will replace, on some routes, the 19-seat Twin Otter which has served the airline since its inception. norOntair's adoption of the "Dash-8" marked the first time in Canadian aviation history that a Canadian airline first introduced a Canadian built airliner into commercial service. Not surprisingly, much of norOntair's energies in 1984 were devoted to preparing for the aircraft; these included the provision of crew training, the acquisition of new tools and spare parts inventory, and the addition of hangar facilities to house the "Dash-8". In terms of norOntair's operation in general, it can be noted that the year witnessed a slight recovery in traffic in spite of increased competition at several points.

MARINE SERVICES

The M.S. Chi-Cheemaun celebrated its Tenth anniversary in 1984 (see special centrespread story). Traffic on this ship remained approximately the same as the previous year although there was a slight decline in the operation's gross revenues. Some savings in fuel costs were obtained by using electric shore power instead of the ship's generators when it docked at Tobermory. The fare structure was held at the 1983 level.

In completing its eighth year of service at Moosonee, the M/V Manitou Island II increased its revenues over 1983. The carrying of students between Moose Factory and Moosonee for the first time in three years accounts for a portion of this increase, but it should be observed also that freight traffic rose marginally over the previous year.

Although the number of charters declined, the Chief Commanda II remained a substantial tourist attraction and, in 1984, carried 15,300 persons on tours of Lake Nipissing and the French River.

TOURISM

The Polar Bear Express continued to be the nucleus of this operation. Passenger ridership on this run increased by 6% over the previous year. Continued participation at tourism promotion conferences resulted in an increase of 32% in the number of bus tours which utilized the Polar Bear Express.

The Hannah Bay Goose Camp operations also experienced improvement, perhaps because of the general upward trend in the American economy. Corporate customers increased their bookings, and the total number of hunters attending the camp rose from 106 to 119.

HUMAN RESOURCES

In line with a growing public concern on the subject, O N T C in 1984 conducted three retirement seminars, which were attended by 83 employees who had reached the mandatory retirement age or who were considering early retirement. In addition improvements were made to Ontario Northland's Pension Plan, including the reinstatement of remarried widows and a 4% ad hoc increase to pensioners who retired prior to December 31, 1982.

In the Safety and Health area, specialized training in accident prevention was carried out, and St. John's Ambulance Certificates were presented to 117 employees. Some progress can be noted in the safety area in that during 1984 the total "lost man days" as a result of accident was reduced by 23% and total injuries declined by 154 or 35%. Emphasis on safety, both within and without the workplace will continue, with specialized training and extensive accident prevention reviews.

Significant events over the course of the year concerned management positions of the O N T C.

- Fourteen specialized courses were presented to managers and supervisors, and seminars were conducted on the Employee Assistance Program and Harassment in the Workplace.

- Ten Assessment Centres were conducted to assess the management skills of 60 current and potential supervisors.

- Outside consultants in conjunction with internal resources, using a recognized evaluation system, conducted a comprehensive review of all Ontario Northland management positions. This new evaluation method resulted in a program to correct wage anomalies that had accumulated over time.

- Management Training continued and will continue, with emphasis toward specific specialized training as identified by Assessment Centre and Performance Appraisal results.

On the Labour Relations scene, equally significant developments occurred.

- Hearings were held by the Canada Labour Relations Board in respect of applications for separate certifications by three shopcraft unions.

- The O N T C Telecommunications employees, represented by B R A C, formed a separate group under provincial certification which will bargain locally.

- Because all 20 of the company's collective agreements expired during or at the end of 1984, many sets of negotiations were under way by year end.

- A new formal policy has been adopted for the Commission's Employee Assistance Program, and extensive training for both supervisors and employee representatives is planned for the coming year.

TOBERMORY - SOUTH BAYMOUTH FERRY SERVICE

In 1984 the **M.S. Chi-Cheemaun** celebrated its tenth year of ferry service between the Bruce Peninsula and Manitoulin Island. It marks a milestone in what has been a long standing service on a centuries old transportation route.

This particular service between Tobermory and South Baymouth was pioneered in 1930, when the Owen Sound Transportation operated the **Kagawong**, a wooden vessel which could carry eight automobiles and operated one round trip each day. When the **Normac** replaced the **Kagawong** in 1932, it carried sixteen vehicles and offered two round trips daily. Increasing vehicular demand resulted in the addition to the service of the **S.S. Norisle** in 1946 and the **M.S. Norgoma** in 1963. Between them these two vessels could accommodate 220 automobiles in each direction each day but by the late 1960's even this improved service could not meet the increasing demands for transportation across the historic passage.

Accordingly, the Ontario government provided for the construction of the **M.S. Chi-Cheemaun** and assigned responsibility for this service to the Ontario Northland Transportation Commission. Placed in service in October of 1974, this modern vessel had a designed capacity of 113 automobiles and in the peak season offered four return trips daily, thereby increasing the potential of the service to 452 cars each way every day.

On launching, the **M.S. Chi-Cheemaun** was the most modern vessel ever built for ferry service on the Great Lakes. Notably, it featured drive-in, drive-off bow and stern loading and unloading facilities through a visored bow system and a square door stern section. It was also the largest to that date, possessing a 62 foot beam and lying a magnificent 365 feet long. It currently has a capacity for 613 passengers and in addition to automobiles can accommodate passenger buses and transport trucks. Two Ruston 3500 horsepower diesel engines power the ship which is also equipped with an 800 horsepower "bow thruster" to improve handling at slow speeds. Modern navigation aids, including gyroscopic compass, radar, very high frequency (VHF) radio telephones as well as the latest innovations in safety equipment are included on this vessel in order to provide for the security of passengers, crew and cargoes. Comfort has been considered by equipping the ship with gyro-controlled stabilizers which allow a smooth passage despite rough weather.

The upper deck of the **M.S. Chi-Cheemaun** features a forward lounge seating area for 169 people, an aft lounge seating area for 98 people, and a sun deck for an additional 100 passengers. The lounge deck also includes washrooms, writing desks and a newsstand.

The cafeteria deck contains a 236-seat dining area serving both hot and cold meals in cafeteria-style, as well as a licensed lounge in the aft portion of the cafeteria deck. Throughout the ship the decor features the natural splendour and marine history of Georgian Bay. The ship has a crew of 70, including 15 officers and two captains. Agency staff at Tobermory and South Baymouth number approximately thirty persons during the summer season.

Faced with increased traffic in the late 1970's which caused some congestion in the summer season, the Ontario Northland, in 1982, added two additional mezzanine decks on two of the five traffic lanes aboard the **Chi-Cheemaun** to provide for carrying compact and sub-compact cars. The innovation has increased the capacity of the **M.S. Chi-Cheemaun** to 140 automobiles and has successfully alleviated the congestion previously encountered.

In recent years, yearly ridership on the **Chi-Cheemaun** has averaged over 237,000 passengers and 78,500 vehicles. Ontario Northland expects the **M.S. Chi-Cheemaun** will continue to meet the demand for transportation across the vital link between two relatively remote but obviously popular portions of the province.

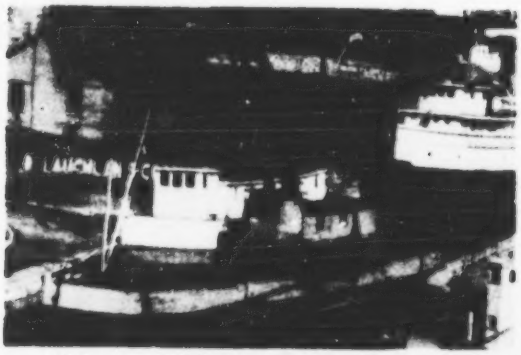
Former Ships

in

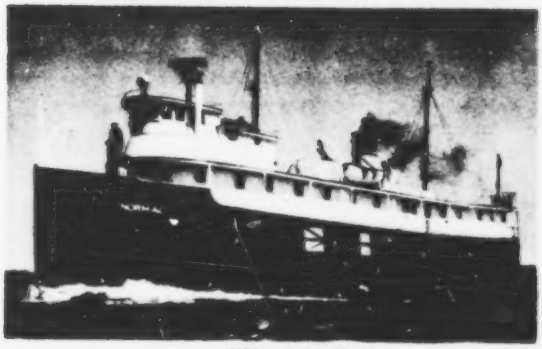
Owen Sound

Transportation

service



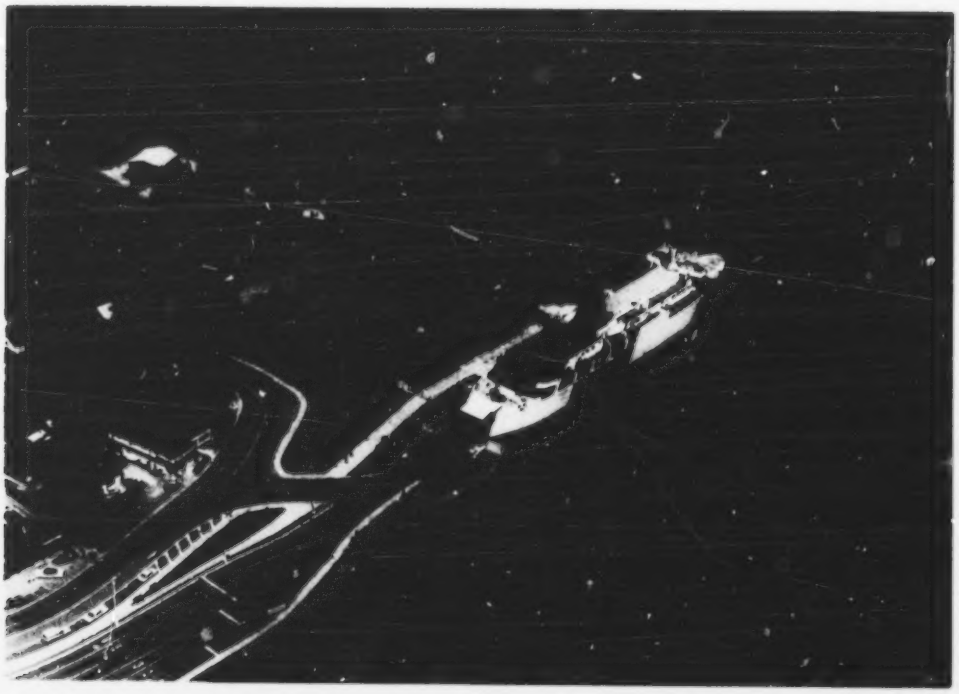
"Kagawong" in Owen Sound Harbour



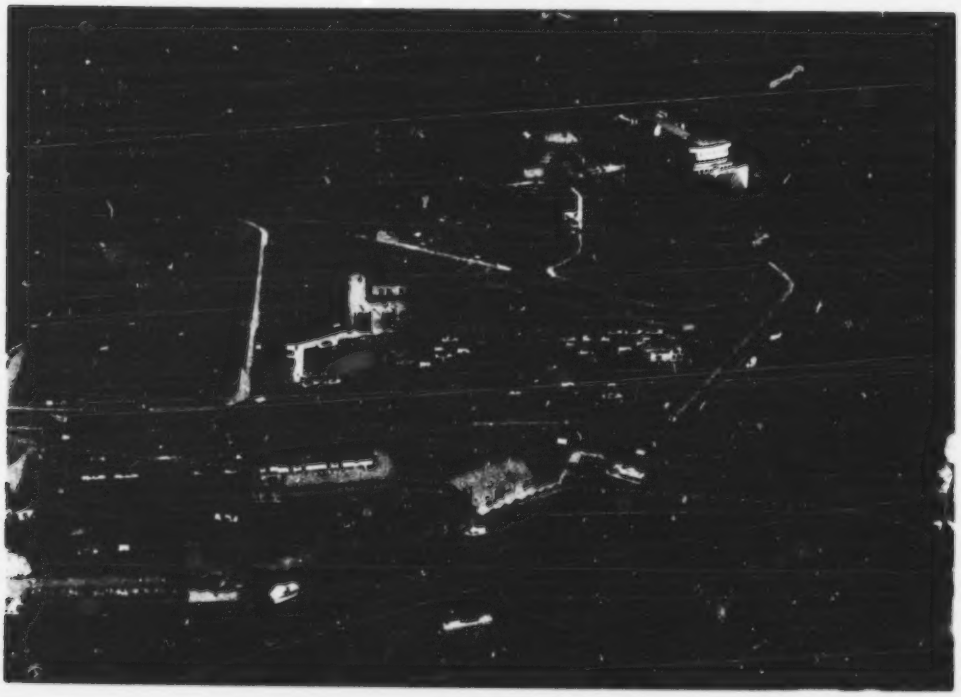
"Normac"

"S.S. Norisle"

"M.S. Norgoma"



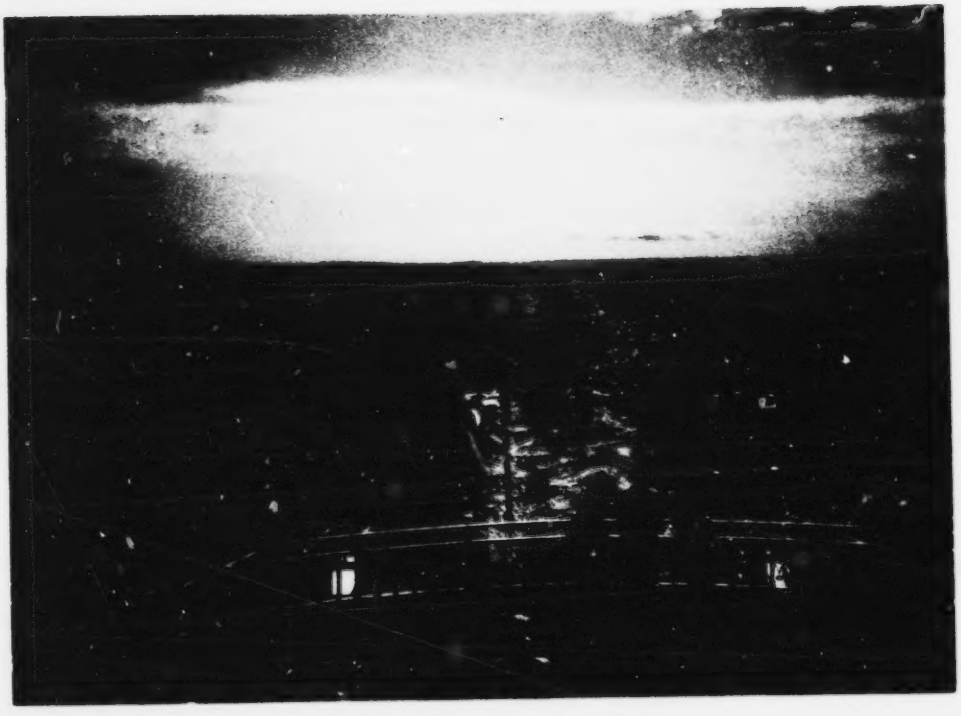
"M.S. Chi-Cheemaun" Preparing to Leave South Baymouth



"M.S. Chi-Cheemaun" Arriving at Tobermory

Cafeteria and Lounge

Wheel House



An Aft View of Georgian Bay

Ontario Northland Transportation Commission

Consolidated Balance Sheet

as at December 31 1984

Assets	1984 $	1983 $
Current Assets		
Cash and short term investments	**4,681,754**	6,934,638
Accounts receivable	**13,148,265**	14,299,696
Materials and supplies (note 1b)	**4,328,384**	3,890,821
Prepaid expenses	**234,358**	167,569
	22,392,761	25,292,724
Long Term Investments - at cost		
Government Bonds (Market value $27,030,000 1983 - $18,870,000)	**25,883,120**	18,263,865
Other Assets - at cost		
Self Insurance Fund (note 3) (Market value $1,362,000 1983 - $1,039,800)	**1,273,996**	1,040,474
Bus Franchises	**297,679**	297,679
Investment in Telesat Canada	**150,000**	150,000
	1,721,675	1,488,153
Investment in Property - at cost less accumulated depreciation (Schedule 1 and note 1c)	**156,327,129**	145,152,543
	206,324,685	190,197,285

See accompanying schedules and notes to financial statements

Approved on behalf of the Commission

J W. Spooner, Chairman

P A. Dyment, General Manager

Liabilities and Equity	1984 $	1983 $
Current Liabilities		
Accounts payable and accrued charges	**18,575,793**	17,226,670
Provision for Self Insurance (note 3)	**1,273,996**	1,040,474
Long Term Debt		
Note due Province of Ontario (note 4)	**13,000,000**	22,500,000
Loan from Province of Ontario non-interest bearing	**35,207,935**	35,207,935
Obligation under capital lease	**—**	197,840
	48,207,935	57,905,775
Province of Ontario Equity		
Contributed surplus (note 1c)	**20,328,060**	13,534,751
Retained income	**117,938,901**	100,489,615
	138,266,961	114,024,366
	206,324,685	190,197,285

AUDITOR'S REPORT

To the Ontario Northland Transportation Commission and to the Minister of Northern Affairs and Mines

I have examined the consolidated balance sheet of the Ontario Northland Transportation Commission as at December 31, 1984 and the consolidated statements of income, retained income, contributed surplus and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these consolidated financial statements present fairly the financial position of the Commission as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A report on the audit, completed in accordance with section 39 of the Ontario Northland Transportation Commission Act, has been made to the Commission and to the Minister of Northern Affairs and Mines.

Toronto, Ontario,
April 4, 1985

D.F. Archer, F.C.A.
Provincial Auditor

Ontario Northland Transportation Commission

Consolidated Statement of Income

for the year ended December 31, 1984

	1984	1983
	$	$
Operating Revenues		
- Commercial (Schedule 3)	91,438,854	84,888,866
- Non Commercial (Schedule 4)	13,791,286	13,743,677
Total Operating Revenues	105,230,140	98,632,543
Operating Expenditures		
- Commercial (Schedule 3)	73,379,254	69,913,907
- Non Commercial (Schedule 4)	34,144,512	31,971,805
Total Operating Expenditures	107,523,766	101,885,712
LOSS ON OPERATIONS	2,293,626	3,253,169
Government Reimbursement (Schedule 2 and note 6)	21,576,020	20,042,127
	19,282,394	16,788,958
Investment Income		
Interest Expense	(2,073,555)	(3,337,703)
Interest Earned	4,077,447	3,382,524
Gain on sale of bonds	—	1,774,743
Net Investment Income	2,003,892	1,819,564
	21,286,286	18,608,522
Special Payment to Pension Fund (note 5)	3,837,000	—
NET INCOME FOR THE YEAR	17,449,286	18,608,522

Consolidated Statement of Contributed Surplus

for the year ended December 31, 1984

	1984	1983
	$	$
Balance, beginning of year	13,534,751	14,842,452
Add: — norOntair aircraft and associated equipment	8,024,206	60,000
— Capital expenditures of The Owen Sound Transportation Company, Limited	91,299	23,142
	21,650,256	14,925,594
Less: depreciation charges for the year	1,322,196	1,390,843
Balance, end of year	20,328,060	13,534,751

See accompanying schedules and notes to financial statements

Ontario Northland Transportation Commission

Consolidated Statement of Changes in Financial Position

for the year ended December 31, 1984

	1984	1983
	$	$
Source of working capital		
Net income for the year	17,449,286	18,608,522
Add items not requiring an outlay of working capital		
- depreciation expense	6,710,144	6,322,611
- amortization of discount on bonds	(175,592)	(314,354)
- gain on sale of bonds	—	(1,774,743)
Working capital provided from operations	23,983,838	22,842,036
Proceeds on disposal of property	792,668	4,388,924
Reimbursement of capital expenditures by Province of Ontario	8,115,505	83,142
Proceeds on sale of bonds	2,000,000	17,762,888
	34,892,011	45,076,990
Use of working capital		
Addition to investment in property	19,999,594	9,957,219
Purchase of bonds	9,443,663	10,870,875
Repayment of debentures	9,500,000	15,000,000
Reduction of obligation under capital lease	197,840	173,657
	39,141,097	36,001,751
Increase (decrease) in working capital	(4,249,086)	9,075,239
Working capital, beginning of year	8,066,054	(1,009,185)
Working capital, end of year	3,816,968	8,066,054
CHANGES IN WORKING CAPITAL		
Current assets - increase (decrease)		
Cash	(2,252,884)	3,633,878
Marketable securities	—	(272,830)
Accounts receivable	(1,151,431)	520,053
Materials and supplies	437,563	(954,076)
Prepaid expenses	66,789	45,010
	(2,899,963)	2,972,035
Current liabilities - (increase) decrease		
Accounts payable and accrued charges	(1,349,123)	4,165,704
Debenture payable	—	1,937,500
	(1,349,123)	6,103,204
Increase (decrease) in working capital	(4,249,086)	9,075,239

Consolidated Statement of Retained Income

for the year ended December 31, 1984

	1984	1983
	$	$
Balance, beginning of year	100,489,615	81,881,093
Add net income for the year	17,449,286	18,608,522
Balance, end of year	117,938,901	100,489,615

See accompanying schedules and notes to financial statements.

Ontario Northland Transportation Commission

Schedule of Investment in Property

Schedule 1

as at December 31, 1984

	1984 $	1983 $
Rail - Roadway	**97,044,988**	91,428,524
- Buildings	**13,084,202**	12,997,692
- Equipment	**41,976,741**	39,394,547
Telecommunications	**52,418,192**	50,354,932
Buses	**2,233,890**	2,245,936
Boats	**927,413**	927,413
norOntair - aircraft	**12,652,727**	7,927,726
- other	**1,090,858**	19,913
Remote North power and communications	**259,517**	241,326
Star Transfer Limited - vehicles	**3,034,171**	3,968,310
- other	**861,127**	916,320
The Owen Sound Transportation Company, Limited - vessel	**9,665,356**	9,665,356
- other	**320,291**	228,992
Gross investment in property	**235,569,473**	220,316,987
Less accumulated depreciation	**83,187,015**	77,987,448
Net investment in property	**152,382,458**	142,329,539
Under construction	**3,944,671**	2,823,004
	156,327,129	145,152,543

See accompanying schedules and notes to financial statements

Ontario Northland Transportation Commission

Schedule of Provincial Government Reimbursement

Schedule 2

for the year ended December 31, 1984

	1984 $	1983 $
From Province of Ontario		
Cochrane - Moosonee branch line	**7,737,786**	6,884,169
Main line passenger train	**5,678,724**	5,866,118
Northlander	**4,481,291**	4,105,684
Remote North power and communications	**249,721**	270,425
Air services - norOntair	**3,110,258**	2,929,606
Moosonee ferry	**50,726**	68,882
	21,308,506	20,124,884
The Owen Sound Transportation Company, Limited (profit)	**267,514**	(82,757)
Total Provincial Government reimbursement (note 6)	**21,576,020**	20,042,127

See accompanying schedules and notes to financial statements.

Ontario Northland Transportation Commission

Schedule of Commercial Operations

Schedule 3

for the year ended December 31, 1984

	1984 $	1983 $
Rail Freight Services		
Revenue	**47,426,816**	41,996,274
Expenditures	**38,527,952**	35,991,332
Income from Operations	**8,898,864**	6,004,942
Express Services		
Revenue	**1,197,356**	1,136,156
Expenditures	**1,390,385**	1,340,459
Loss from Operations	**(193,029)**	(204,303)
Telecommunications		
Revenue (Note 7)	**33,369,197**	30,918,454
Expenditures	**22,948,708**	21,164,621
Income from Operations	**10,420,489**	9,753,833
Bus Services		
Revenue	**3,867,906**	3,736,521
Expenditures	**4,090,274**	3,895,266
Loss from Operations	**(222,368)**	(158,745)
Transport Services		
Revenue	**5,226,205**	6,745,742
Expenditures	**5,921,176**	7,051,389
Loss from Operations	**(694,971)**	(305,647)
Marine Services (North Bay)		
Revenue	**221,495**	253,255
Expenditures	**388,774**	382,097
Loss from Operations	**(167,279)**	(128,842)
Tourist Facilities (Hannah Bay)		
Revenue	**129,679**	102,464
Expenditures	**111,985**	88,743
Income from Operations	**17,894**	13,721
Total Commercial Operations		
Operating Revenues	**91,438,854**	84,888,866
Operating Expenditures	**73,379,254**	69,913,907
Income from Operations	**18,059,600**	14,974,959

See accompanying schedules and notes to financial statements.

Ontario Northland Transportation Commission

Schedule of Non-commercial Operations

Schedule 4

for the year ended December 31, 1984

	1984 $	1983 $
Rail Passenger Services		
Revenue	5,424,137	5,713,259
Expenditures	22,099,144	20,755,231
Loss from Operations	(16,675,007)	(15,041,972)
Government Reimbursement	17,897,801	16,855,971
Net Gain from Operations	1,222,794	1,813,999
Air Services (norOntair)		
Revenue	4,344,991	4,016,416
Expenditures	7,455,249	6,946,022
Loss from Operations	(3,110,258)	(2,929,606)
Government Reimbursement	3,110,258	2,929,606
	—	—
Marine Services (Owen Sound)		
Revenue	3,611,665	3,671,695
Expenditures	3,879,179	3,588,938
Income (loss) from Operations	(267,514)	82,757
Reimbursed by (returned to) Province of Ontario	267,514	(82,757)
	—	—
Marine Services (Moosonee)		
Revenue	61,111	55,726
Expenditures	111,837	124,608
Loss from Operations	(50,726)	(68,882)
Government Reimbursement	50,726	68,882
	—	—
Remote North Communications		
Revenue	139,463	134,573
Expenditures	348,136	345,426
Loss from Operations	(208,673)	(210,853)
Government Reimbursement	208,673	210,853
	—	—
Remote North Power		
Revenue	209,919	152,008
Expenditures	250,967	211,580
Loss from Operations	(41,048)	(59,572)
Government Reimbursement	41,048	59,572
	—	—
Total Non-commercial Operations		
Operating Revenues	13,791,286	13,743,677
Operating Expenditures	34,144,512	31,971,805
Loss from Operations	(20,353,226)	(18,228,128)
Government Reimbursement	21,576,020	20,042,127
Net Gain from Operations	1,222,794	1,813,999

See accompanying schedules and notes to financial statements.

Notes to Consolidated Financial Statements

December 31, 1984

1. Significant Accounting Policies

(a) Basis of accounting

These consolidated financial statements are prepared in accordance with generally accepted accounting principles. They include the accounts of the Commission and its wholly owned subsidiaries, Star Transfer Limited and the Owen Sound Transportation Company, Limited.

(b) Materials and supplies

With the exception of used rail, all materials and supplies are shown at cost. Used rail is shown at estimated utility value.

(c) Investment in property and depreciation

Fixed assets are stated at acquisition cost.

Depreciation is calculated on a straight-line basis over the estimated service lives of the assets with the exception of highway equipment which is depreciated at thirty per cent per annum on the diminishing balance basis. Depreciation generally is based on asset balances at the beginning of the year.

The rates used for railway properties are as authorized by the Canadian Transport Commission.

The estimated service lives used for principal categories of assets are as follows:

Road - main line and branches	20 to 200 years
Railway diesel locomotives	25 years
Railway cars	33 years
Vessel	33 years
Telecommunications equipment	15 years
Aircraft	10 years
Boats	20 years

The Province of Ontario reimburses the Commission for the costs of certain fixed assets purchased for the use in operations designated as non-commercial by the Province. The Commission records these assets at their original cost together with an offsetting credit to Contributed Surplus. Annual depreciation on these fixed assets is recorded as a reduction to Contributed Surplus.

(d) Income taxes

As Crown Corporations of the Province of Ontario, the Commission and its wholly-owned subsidiaries are exempt from income taxes and accordingly no tax provision is reflected in operations.

2. Contingent Liabilities

The Commission records and pays for the cost of injuries to its employees on a cash basis as accounts are received from the Workers' Compensation Board of Ontario. A deposit of $50,000 is held by the Workers' Compensation Board of Ontario for this purpose. No provision has been made in the accounts for current or future liabilities.

3. Self-Insurance

The Commission follows the policy of self-insuring for damages from rolling stock derailments and cargo damage. Annual contributions to the Self-Insurance Fund consist of a $100,000 premium paid by the Commission in addition to investment income earned on fund assets.

4. Note Due Province of Ontario

During 1984 the Commission repaid $9,500,000 of its note payable to the Province. By Order in Council 129/85 dated January 17, 1985, repayment terms of the remaining $13,000,000 have been revised to require two equal installments of $6,500,000 plus accrued interest at 9.325 per cent in June and December 1985.

It is expected that these payments will be made from other than current assets.

5. Contributory Pension Fund

Based on the December 31, 1982 actuarial review, the unfunded liability of the Commission and its wholly-owned subsidiaries under the Commission's Contributory Pension Fund totals $33,837,143. Of this amount $19,443,107 represents the initial unfunded liability as of January 1, 1965, the balance of $14,394,036 represents the unfunded liability revealed subsequent to that date.

The Commission and its subsidiaries are making payments of interest and principal into the Fund in accordance with the Regulations under the Pension Benefits Act. These payments, amounting to $3,345,117 per year, have the effect of:

— preventing an increase in the initial unfunded liability (annual payment - $1,361,017);

— liquidating the balance of the unfunded liability over a period ending December 31, 1997 (annual payment - $1,984,100).

In addition, in 1984 the Commission made an extra payment of $3,837,000 into the Pension Fund to reduce the unfunded liability.

An actuarial review of the Fund is being completed to December 31, 1984.

6. Provincial Government Reimbursements

In accordance with the Memorandum of Understanding between the Commission and the Ministry of Northern Affairs, certain operations of the Commission have been designated as non-commercial and receive annual operating subsidies, the details of which appear on Schedule 2.

The subsidy amount for the non-commercial rail operations, which consist of the Cochrane-Moosonee branch line and main line passenger train services, allows the Commission to earn an annual rate of return, equal to the lesser of 9.325 per cent and the actual rate of return earned on the total of the Commission's commercial operations for the same year. For all other non-commercial operations shown on Schedule 2, the subsidies equal the operating losses for the year.

7. Telecommunications Revenue Agreements

Telecommunications operations provide approximately 36 per cent of commercial revenues and 58 per cent of net income earned on all of the Commission's commercial operations. Approximately 85 per cent of telecommunications revenues depend on revenue-sharing agreements with Bell Canada Enterprises Inc., and one of its subsidiaries. These agreements may be terminated by either party after giving 180 days prior notice.

8. Comparative Figures

Prior year's figures have been reclassified where necessary to conform to the current year's presentation.